

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
11-12-14
04:59 PM

Order Instituting Rulemaking to
Consider Electric Procurement Policy
Refinements pursuant to the Joint
Reliability Plan.

Rulemaking 14-02-001
(Filed February 5, 2014)

**THE OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS
IN RESPONSE TO ASSIGNED COMMISSIONER AND ADMINISTRATIVE
LAW JUDGE'S RULING ISSUING STAFF REPORT & PROPOSAL**

MATT MILEY
DIANA L. LEE

Attorneys for
The Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-3066
Email: Matt.Miley@cpuc.ca.gov

RADU CIUPAGEA
PETER SPENCER
YAKOV LASKO

Analysts for
The Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-1529
Email: Radu.Ciupagea@cpuc.ca.gov

November 12, 2014

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. DISCUSSION	1
A. A MAJORITY OF PARTIES OPPOSE ADOPTION OF MULTI-YEAR FLEXIBLE CAPACITY REQUIREMENTS AT THIS TIME.....	1
B. NO PARTY OTHER THAN ORA SUBMITTED EVIDENCE ADDRESSING THE RISK OF RETIREMENT.	2
C. THE DESIGN OF TRIGGER MECHANISMS SHOULD OCCUR CLOSER TO THE TIME OF THE DESIGN OF OTHER FEATURES OF A MULTI-YEAR RA PROGRAM.	3
III. CONCLUSION.....	4

I. INTRODUCTION

Pursuant to the *Assigned Commissioner and Administrative Law Judges' Ruling Issuing Staff Report & Proposal* (Ruling) issued on October 2, 2014, the Office of Ratepayer Advocates (ORA) submits the following reply comments in response to the October 30, 2014 comments on the Ruling and issues raised in the “Joint Reliability Plan Track One Staff Proposal” (Staff Proposal).

The parties' comments largely oppose current adoption of multi-year flexible capacity requirements, provide no evidence on the risk of retirement, and support consideration of proposed trigger mechanisms for multi-year Resource Adequacy (RA) initiation. ORA replies to some of these parties' comments below.

II. DISCUSSION

A. A majority of parties oppose adoption of multi-year flexible capacity requirements at this time.

A majority of party comments¹ oppose adoption of multi-year RA requirements for flexible capacity at this time. The California Independent System Operator (CAISO), citing the need to “first develop[] a more precise, durable, and comprehensive flexible capacity solution that addresses all flexible capacity operational needs, including both upward and downward ramping needs (both duration and speed), over-generation, and load-following

¹ See Comments of the California Independent System Operator Corporation on the Assigned Commissioner and Administrative Law Judges' Ruling Issuing Staff Report and Proposal, October 30, 2014, (CAISO Comments), p. 2; Opening Comments of San Diego Gas & Electric Company (U 902 E) on the Assigned Commissioner and Administrative Law Judges' Ruling Issuing Staff Report and Proposal, October 30, 2014, (SDG&E Comments), p. 7; Sierra Club's Opening Comments on Staff Report and Proposal, October 30, 2014, (Sierra Club Comments), p. 5; Opening Comments of Shell Energy North America (US), L.P. October 30, 2014, (Shell Energy Comments), p. 1; Comments of Pacific Gas and Electric Company on the Track One Staff Report, October 30, 2014 (PG&E Comments), p. 1; Comments of the Alliance for Retail Energy Markets on the Joint Reliability Plan –Track One Staff Report and Proposal Alliance for Retail Energy Markets, October 30, 2014 (AReM Comments) p. 6; California Large Energy Consumers Association Comments of the California Large Energy Consumers Association on Staff Report & Proposals October 30, 2014, (CLECA Comments), p. 8; Southern California Edison Southern California Edison Company's (U 338-E) Opening Comments on Assigned Commissioner and Administrative Law Judges' Ruling Issuing Staff Report and Proposal October 30, 2014, (SCE Comments), p. 2; Opening Comments of Marin Clean Energy on the Joint Reliability Plan Track One Staff Report and Proposal, October 30, 2014, (MCE Comments), p. 2; Comments of the Green Power Institute on Ruling Issuing Staff Report & Proposal Green Power Institute, October 30, 2014, (GPI Comments), p. 5; Comments of Calpine Corporation on the Joint Reliability Plan Track One Staff Report October 30, 2014, (Calpine Comments), p. 4; and Comments of NRG Energy, Inc. on Track One Staff Report, October 30, 2014, (NRG Comments), p. 3.

capabilities” before developing a long-term RA framework, agrees that it is premature to adopt multi-year RA requirements now. The CAISO therefore:

recommends that the Commission close Track 1 of this proceeding and instead, towards the end of 2015, consider in a special track of the recently-opened annual Resource Adequacy proceeding both an appropriate long-term flexible capacity product and multi-year system, local, and flexible Resource Adequacy requirements.²

Assessment of CAISO studies published in late 2015 would not be available for consideration ahead of the 2016 RA proceeding, which will establish load serving entity (LSE) RA obligations for the 2017 RA compliance year.

The CAISO’s recommendation that the Commission delay multi-year RA consideration until late in 2015 when the parameters of flexible capacity needs are more defined supports deferring Commission consideration of multi-year RA until a later date. Creating a multi-year RA design before the presentation of data necessary to determine the need and potential design of a new multi-year RA program would in essence be putting the cart before the horse. The CAISO’s recommended delay is consistent with ORA’s position: “the Commission should re-evaluate the need for multi-year flexible RA requirements in 2017, when the definition of flexible capacity requirements will be more settled and the effectiveness of new RA requirements will be more apparent.”³ ORA therefore recommends that the Commission close Track 1 of this proceeding and re-examine the need for multi-year RA requirements in 2017 when the Commission has scheduled a review of its interim flexible capacity requirements in the RA proceeding.

B. No party other than ORA submitted evidence addressing the risk of retirement.

Parties note a lack of sufficient evidence necessary to properly design a multi-year RA program.⁴ Opening comments, other than those submitted by ORA, failed to provide any evidence as to the potential risk of retirement of resources which may be required for

² CAISO Comments, p. 2.

³ The Office of Ratepayer Advocates’ Comments in Response to Assigned Commissioner and Administrative Law Judge’s Ruling Issuing Staff Report & Proposal, October 30, 2014, (ORA Comments), pp. 9-10.

⁴ CAISO Comments, p. 6; SDG&E Comments p. 5; Sierra Club Comments, p. 4; PG&E Comments, p. 1; and CLECA Comments, p. 3.

future grid operation. At the JRP workshop on May 2, 2014, ORA presented research analysis that quantified the risk of unplanned retirement.⁵ Next, ORA modelled the impact of removing all of these at-risk resources with a PLEXOS model⁶ that forecast no grid reliability issues in 2021 when the Once Through Cooling (OTC) plants have all retired. The first step to solve a problem is to define and quantify the problem. As the Sierra Club and the Green Power Institute both note, multi-year RA may be a solution in search of a problem.⁷

The CAISO states that it “is concerned about the risk of uneconomic retirements,”⁸ however, the basis for this concern remains unclear. In response to the question about valuable resources at risk of retirement, NRG states “[a]t this time, NRG is not aware of any such resources” while also noting that these plants may exist.⁹ Shell Energy, Inc. points to the previous Long Term Procurement Plan (LTPP) proceeding in which the Commission responded to a Calpine claim of uncontracted resources at risk of shutting down by stating “[w]e have no specific evidence in the record of this proceeding showing that any combined cycle plants, owned by Calpine or anyone else are facing a real risk of economic shutdown.”¹⁰ As noted above, the only evidence in the instant proceeding was submitted by ORA and it does not indicate a problem in need of an immediate solution.

Unless additional analysis refutes the ORA analysis and modelling, there is no basis in the record for creating a multi-year RA program at this time. This process should be driven by data and not speculation.

C. The design of trigger mechanisms should occur closer to the time of the design of other features of a multi-year RA program.

The Staff Proposal suggested two options for trigger mechanisms.¹¹ “The effect of a trigger would be that, if the circumstances laid out in the mechanism occur, then multi-year

⁵ Available at: <http://www.ora.ca.gov/general.aspx?id=2831>.

⁶ Available at: <http://www.ora.ca.gov/general.aspx?id=2831>.

⁷ Sierra Club comments, p. 5; and GPI Comments, p. 1.

⁸ CAISO Comments, p. 3.

⁹ NRG Comments, p. 7

¹⁰ Shell Energy Comments, p. 2-3

¹¹ Staff Proposal, p. 45.

procurement obligations would go into effect the following compliance year.”¹² SDG&E, TURN, and CLECA support further exploration of trigger mechanisms.¹³

If the Commission moves forward to design a multi-year RA program at some future date, the design of those changes, including triggers, should occur at that time based on the existing situation. Creating a multi-year model now that would be triggered at some unknown future date in the absence of knowing the details of the future situation may result in a program that fails to satisfactorily address future needs.

Given the difficulty of predicting future conditions that would require multi-year forward capacity procurement, the Commission should not adopt trigger options.

III. CONCLUSION

The Commission should not adopt a multi-year RA program or develop triggers to launch a non-existent program at this time. Most parties, including the CAISO, agree that it is premature to adopt a multi-year RA program, a position that is supported by the lack of evidence of the immediate need for a multi-year RA program. The Commission should gather more information from studies in 2015 to better understand the operational needs before designing a multi-year program. ORA’s Risk of Unplanned Retirement analysis and PLEXOS Production Cost Simulation study do not show any generation resources that are both at risk of unplanned retirement and critical for reliability in 2021.¹⁴

///

///

///

¹² Staff Proposal, p. 2.

¹³ SDG&E Comments, p. 7; CLECA Comments, p. 6; TURN Comments, p. 8. Calpine “generally does not support” the concept of trigger mechanisms. Calpine Comments, p. 18. The Independent Energy Producers Association notes that triggers may “not operate as efficiently and effectively as suggested.” Comments of the Independent Energy Producers Association on the Track One Staff Report, October 30, 2014, p. 6.

¹⁴ ORA Comments, p. 3.

ORA therefore recommends that the Commission close Track 1 of this proceeding and re-examine the need for multi-year RA requirements in 2017 when the Commission has scheduled a review of its interim flexible capacity requirements in the RA proceeding.

Respectfully submitted,

/s/ MATT MILEY
MATT MILEY

Attorney for
The Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-3066
Facsimile: (415) 703-2262
Email: matt.miley@cpuc.ca.gov

November 12, 2014